

Financial Management Systems Improvement Council
Meeting Notes
Weatherford Room
Aristocrat Hotel
Dallas, TX
February 2, 2000

Attendees: Tom Baranouskas-PNNL, Ralph Bonner-SNL, Jim Campbell-DOE-HQ, Bruce Chrisman-Fermilab, Paul Grefenstette-WSRC, Allan Johnston-LANL, Jim Lopez-LLNL, Jim Martin-DOE-OR, Brian Morishita-INEEL, Dean Olson-DOE-AL, Paul Rosenkoetter-INEEL, Ron Ragland-LMES,

Not present: , Gregg Crockett-K-H, Paul Keele-DOE-ID

Guests: Gary Concannon-SNL, Marty Conger-PNNL, and Phil Schultz-LLNL

Ralph Bonner:

Introduced Paul Rosenkoetter as the new INEEL representative to the Council.

Jim Campbell:

Initiatives for Proliferation Prevention Program Update

- As was discussed at the last Council meeting, Congress was imposing stringent requirements on the Initiatives for Proliferation (IPP) Program primarily in response to issues raised in last year's GAO audit. In light of these restrictions, the program is particularly concerned with lab expenditures of limited program dollars.
- To review, the Program was established in 1994 to employ weapons scientists in the Newly Independent States in the pursuit of science with peaceful technology transfer applications. Historically, the primary instruments used for accomplishing the program mission have been subcontracts between management and operating contractors and NIS scientific institutes.
- Section 3136 of the Defense Authorization Act for FY 2000 contained a number of restrictions related to the use of appropriated funds for, and the conduct of, the IPP Program.
 - a limitation (of not more than 35 percent) on the amount of IPP Program funds available in any fiscal year beyond FY 1999 the DOE national laboratories may use to carry out or provide oversight of activities under the IPP Program.
 - a prohibition on the use of IPP Program funds for the payment of any tax or customs duty levied by the government of the Russian Federation.

- a requirement that the Secretary of Energy notify Congressional defense committees in the event payment of a tax or duty is unavoidable and ensure that sufficient additional funds are provided to the IPP Program to offset the amount of any taxes or duties paid.
- To implement these restrictions, representatives of the CFO, GC, Procurement, and the field worked cooperatively to identify and implement a solution. The Deputy Secretary issued guidance on December 22, 1999.
- To achieve the 35% limitation, DOE is in the process of assuming the prime contracting function from the M&Os. This may take six months to put in place but hopefully in FY 2000. As envisioned, DOE will issue task orders to the Institutes for certain deliverables under the contracts, and, since there will be an emphasis in FY 2000 on larger U.S. industry cost-shared projects, it is expected there will be a smaller number of IPP Program projects and contracts than in prior fiscal years. The focus of the M&O's involvement will be on technical design, administration, and acceptance of deliverables under the contracts.

- To ensure compliance with the prohibition on use of IPP Program funds for Russian taxes, DOE awarded a payment services contract to the U.S. Civilian Research and Development Foundation, a non-profit entity that is exempt from taxes under Russian Federation law. CRDF will make all payments to Russian Institutes under existing and prospective subcontracts. New subcontracts with Russian Institutes will be approved on a case by case basis. CRDF will not be used for payments to the Ukraine or to Kazakhstan - it is expected payments to these jurisdictions will ultimately be tax free. No subcontracts are or will be in place with Belarus.
- Cognizant DOE Contracting Officers were to direct the M&O's to make no new payments after September 30, 1999. Also, cognizant DOE Contracting Officers were directed to have the M&O's modify their existing subcontracts with Russian Institutes to incorporate specified contract language. M&O's were also directed to continue to perform accounting and reporting for their respective subcontracts, but to transmit an advance for the total unpaid balance representing the subcontract value of the outstanding deliverables on existing subcontracts to the Capital Accounting Center. Upon receipt and acceptance of deliverables under the subcontracts, the M&O's were to notify the DOE program manager, who in turn would notify the DOE Contracting Officer for the CRDF contract in order to authorize payment by CRDF. This process was addressed in the Deputy Secretary's correspondence.
- In correspondence dated January 21, 2000, Procurement indicates many of the contracts have not been modified to permit centralized tax-free payments as directed by the Deputy Secretary. The memorandum requests this be accomplished and also transmits payment processing procedures from the Capital Accounting Center as well as CRDF's payment process and verification procedures for handling the subcontract payments from DOE.
- To address the portion of IPP funding that is expended by the national labs, the Under Secretary issued guidance on October 25, 1999 indicating that effective with FY 2000 funding, the IPP Program would fund no more than one full-time equivalent to administer program activities at each site participating in the Program (Labs and KC). It indicated that "While one FTE will likely be sufficient to perform necessary coordination activities, and additional administrative funding is to be defrayed from Laboratory overhead."
- In the same memo, to address the issue of taxation of IPP funds, the Under Secretary stated that "no IPP funds may be used to pay taxes in the newly Independent States. Effective immediately, any such taxes paid are to be disallowed as a legitimate National Laboratory expense and will be paid from National Laboratory "overhead."

- This memo has been overtaken by events (the Deputy Secretary's December 22, 1999, memo with respect to the payment of taxes issue). A memo is in process to clarify and supersede the Under Secretary's memo with respect to the statement on administrative funding. It has not yet been signed.

BRC Update

- The Budget Results Council was established to address improvements in the budget formulation, execution, and reporting processes of the Department and its Management and Operating Contractors.
- Several studies have been done on the need to improve the budget processes of the Department. One conducted by the Institute for Defense Analysis included a review of the organization and management of the nuclear weapons program, which included findings that there was a weak link between requirements and budget direction and criticisms of all phases of the budget process. Also, a benchmarking study by the M&O contractors determined the budget function appeared to cost more than five times that of private industry. Hence, it was determined opportunities for improvement exist.
- Membership in BRC includes four HQ program office resource managers (one from each of the Department's business lines), four members drawn from the Major M&O and M&I contractors, two field office representatives, and two representatives from the HQ Office of CFO. The group is co-chaired by one Federal and one contractor representative from among the 12 participants. Chairpersons serve overlapping two year terms. Contractor and field reps serve on a rotating basis of two years with half the original group serving a 3 year term. HQ reps may be permanent or rotating. Members are selected by the HQ CFO from those expressing interest.
- Meetings are held three times a year. Recommendations of the BRC will be coordinated with the Department's financial management community and presented to the CFO for approval and coordination, as necessary, with external organizations.
- The BRC Annual Conference was held jointly with the FMSIC Conference last April in Chicago. As part of this session, participants in the Conference prioritized future BRC topics in individual breakout sessions, which were aggregated for consideration by the BRC. These topics were:
 - Reprogrammings
 - Value of Cross-Cut Schedules
 - Reengineering the IWO Process
 - Limited Term Appropriations
 - BMIS
 - Benchmarking Best Practices
 - Budget Training

- Develop Real R&D Performance Measures
- Past BRC activities have included:
 - Preparing the Department's Report to Congress on One-Year Funding
 - Developing a better, easier budget validation process
 - Streamlining the AFP Process
 - Examining the budget formulation process and developing improvements
- Recent activities of the BRC
 - Agreed to a joint BRC/FMSIC Meeting for FY 2000 (April - Denver)
 - Recommended that the IWO threshold be increased from \$100K - \$250K - there would be no loss of control nor any decrease in visibility. Recommendation to be provided to the Director, Office of Financial Policy
 - Crosscuts - BRC to contact sponsors of the crosscuts to obtain input on need, usefulness, etc. Presentation on cross-cuts is planned at annual conference.
 - BRC needs to review the Budget requirements of BMIS - BRC members on the BMIS Steering Committee to keep BRC apprised - subject at next BRC meeting..
 - Budget validation - concern expressed that field CFO's do not get sufficiently involved with budget validation reviews.
 - Reprogrammings - Associate CFO will be the point of contact for reprogramming and will look at streamlined DOE owned processes.
 - Time Limited appropriations - does not appear to be Congressional momentum to shift to limited period appropriations. Joint Procurement/CFO guidance is about to go out on time limited appropriations.
- Call for BRC membership was issued on 1/27/00
- Next meeting of BRC is February 17 in Washington. Some potential efforts for BRC may involve:
 - Lab funding plans, Independent Centers, NNSA Implementation

IWO

Action: Jim Lopez will lead a team that includes Dean Olson, a Sandia representative appointed by Ralph Bonner, Nikki Grover, and Jennifer Hackett. This group will focus on the threshold level and the DP paper. Jim et al. will diagram how the process works, outline the pluses and minuses of the process, and provide some usage report. Jim Campbell will provide a copy of the IG letter that led to this policy.

Conference Order Comments

- Order is the responsibility of the Office of Management and Administration, not the CFO

- Conference Management Order was issued on November 3, 1999.
- Requirements of the Order include:
 - Objective - to establish requirements and responsibilities with respect to managing conferences sponsored by DOE or by DOE management and operating contractors and other contractors who perform work at DOE-owned or leased facilities, including management and integration and environmental restoration management contractors. To minimize costs and attendance by DOE and DOE contractor employees at all conferences and clarify requirements for funding conferences in compliance with existing laws and regulations.
 - Applicability - with limited exception applies to all DOE elements.
 - Definition - conference is defined as a meeting, seminar, retreat, symposium, or similar event that involves official travel.
 - Contractors - Attachment 1, Contractor Requirements Document, sets forth requirements for contractors. Compliance with the CRD will be required to the extent set forth in the contract.
 - Exclusions - Order excludes several situations, e.g., formal structured training programs that have specific objectives identified to improve certain knowledge, skills, and abilities, activities concerning work not funded by DOE that is conducted by contractors, etc.
- Requirements
 - Head of a DOE Headquarters or field element (or Principal Deputy) must approve DOE sponsorship, co-sponsorship, or funding of a conference if 30 or more DOE and DOE contractor employees are expected to attend the conference and will be on official travel. Sponsorship of a conference is defined as having some control over the conduct of the conference and either having some financial responsibility or providing in-kind services for the conference, including control sufficient to influence costs, venue, or program content.
 - Select sites that minimize conference costs.
 - Select sites only after evaluating costs differences of at least 3 prospective locations
 - Provides specific requirements regarding payment and reimbursement of conference registration fees, allowable conference costs, and funding.

- Contractor will be reimbursed for conference costs only if the principal purpose of the conference is to disseminate trade, business, professional, or technical information or to stimulate production per contract requirements.
- May charge a registration fee and use to offset conference costs.
- No reimbursement for entertainment costs, nor may such costs be included in a registration fee.
- DOE contractor employees (and DOE employees) must reduce claims for per diem if meals are included in a registration fee.
- DOE and DOE contractors may charge a separate voluntary fee to conference attendees to cover meals and entertainment. The fee will not be reimbursed by DOE. However, when the employee pays this voluntary fee from personal funds, he/she is not required to reduce per diem.
- Generally, registration fees for non-DOE-sponsored conferences may be reimbursed. Registration fees for DOE-contractor-sponsored conferences will be reimbursed.
- Conferences sponsored by DOE contractors should not include events, such as entertainment or meals, that are being paid by the contractor, which will result in Federal employees violating Standards of Ethical Conduct.

- Specific Contractor Requirements

- If fewer than 30 employees will be on official travel, establish any procedure to ensure the intent of the Order is met (e.g., delegate approval to a lower level (equivalent to a member of the DOE Senior Executive Service) in the organization). In addition to the Federal requirements for a conference of 30 or more, a senior contractor official must also approve sponsorship, co-sponsorship or funding. A senior contractor official is the equivalent of the head of a DOE first-tier organization.
- Justify a recurring expense - do not assume that an annual conference must be held merely because it has been in the past.
- In determining the number of and which employees to send to a conference that requires employees to travel, contractors must (1) ensure that a contractor official equivalent to a member of the DOE SES approve attendance of employees at conferences and (2) develop internal procedure to ensure minimum number are attending.
- Consult, as necessary, with the DOE contracting officer before committing to contractor employee conference participation
- If a non-Government organization sponsors a conference and a single, mandatory, non-separable registration fee is charge for both attendance and meals or an evening social event, the Government will reimburse the contractor's full

registration fee. Employees must reduce claims for per diem if meals are included in a registration fee.

Proposed DOE Subagency Update

- Section 3201 of the National Defense Authorization Act for Fiscal Year 2000 entitled the “National Nuclear Security Administration Act.”
- Established in the Department an Under Secretary for Nuclear Security who shall be appointed by the President, by and with the consent of the Senate. This individual serves as the Administrator for Nuclear Security of the National Nuclear Security Administration. The U/S is subject to the authority, direction, and control of the Secretary. Such authority, direction, and control may be delegated only to the Deputy Secretary of Energy, without re-delegation.
- The Administrator, NNSA, has authority over and is responsible for, all programs and activities of the Administration, including the following:
 - strategic management
 - policy development and guidance
 - budget formulation, guidance, execution, and other financial matters
 - resource requirements determination and allocation
 - program management and direction
 - safeguards and security
 - emergency management
 - integrated safety management
 - environment, safety, and health operations
 - administration of contracts
 - intelligence
 - counterintelligence
 - personnel
 - procurement of services or experts and consultants
 - legal matters
 - legislative matters
 - public affairs
 - liaison with other elements of DOE, OFA’s, etc., and the public
- Establishes a Deputy Administrator for Defense Programs, a Deputy Administrator for Defense Nuclear Nonproliferation, and a Deputy Administrator for Naval Reactors.
- Establishes a General Counsel.
- Provides that the Administrator shall maintain within the Administration sufficient staff to assist the Administrator in carrying out duties and responsibilities.
- Establishes an Office of Defense Nuclear Counterintelligence and an Office of

Defense Nuclear Security

- Requires amounts requested for the Administration to be set forth separately in the budget within other amounts requested for DOE.

DOE Implementation Plan

- Organization charts of the DOE and the NNSA were provided. The charts were explained using the Department's Implementation Plan issued on January 1, 2000.
- The Department will operate with two Under Secretaries. One as Administrator for NNSA, and the second to oversee the energy, environment, and science programs of the Department.
- The Plan anticipates an individual will be identified and confirmed to serve as the Under Secretary for Nuclear Security prior to March 1, 2000 or soon thereafter. Charles Curtis, former DOE Under Secretary, named to head high level search committee.
- NNSA will consist of those organizations and sites identified in the Act. These include:

-The Office of the ASDP will be re-designated at the Office of the Deputy Administrator for DP. Recruitment of this position is in process. Employees funded under the DP program direction account will be designated employees of NNSA. The AL and NV Field Offices, which will report to the Deputy Administrator for Defense Programs as Lead PSO will also transfer to NNSA.

In addition, the following national laboratories and nuclear weapons facilities will report to the Deputy Administrator for Defense Programs: LANL, SNL, LLNL, Kansas City, Pantex, Y-12, tritium operations facilities at SR, and the Nevada Test Site. The field managers for OAK, OR, and SR will be appointed to a new position of Field Manager for NNSA Operations and be accountable to Deputy Administrator for the NNSA programs at their respective sites. These field managers, who currently report to an LPSO other than DP, also will retain their current positions. Other employees at these field offices that directly oversee and manage NNSA activities, and whose salaries are funded by programs that will become part of the NNSA, will be transferred to the NNSA.

-The Office of the ASNN will be re-designated as the Office of the Deputy Administrator for Defense Nuclear Nonproliferation. The Office of MD will be incorporated within this office. The Assistant Deputy Administrator for MD will also serve as the Special Secretarial Negotiator for Plutonium Disposition. In general, employees funded under either the NN or MD program direction accounts

will be designated as employees of NNSA. Pending confirmation of the Deputy Administrator, the current ASNN will serve as the Deputy Administrator,

-The Office of Naval Reactors will be re-designated as the Office of the Deputy Administrator for Naval Reactors. PNR and SNR will report to the deputy Administrator and be transferred to NNSA. Also, Knolls and Bettis Atomic Power Laboratories and the other field activities of the Office of Naval Reactors will be transferred to NNSA and report to the Deputy Administrator.

-The Office of Administrator of NNSA will be established on March 1 and will have the support offices and functions indicated in the organization chart for the NNSA. The Act provides for the establishment of new support offices and positions within the NNSA. The Plan provides that these offices and positions be established as of March 1. It also anticipates that DOE employees will serve concurrently in some of these positions and DOE positions outside of NNSA.

- The Office of the Administrator shall include staff to support the Administrator with regard to legislative affairs, public affairs, and liaison with OFA, States, etc. The Plan also provides that the Office of the Administrator will include staff to support resource management in the areas of budget formulation, guidance and execution, and procurement management. The accounting functions, including preparation of the Department's consolidated financial report, will remain the responsibility of the Department's CFO.
- The Administration will have a General Counsel and Deputy General Counsel. Legal services will also be provided by staff at AL and NV. Additional legal support may be provided by attorneys in the HQ GC, and in the future some attorneys may be assigned to the OGC in NNSA.
- Office of Defense Nuclear Counterintelligence. Director of the Office of Counterintelligence will serve concurrently in this position and his current position. In addition, Federal employees performing counterintelligence activities and assigned to NNSA field activities will be designated as NNSA employees. These employees and the Director, will be accounted for in the Office of Counterintelligence.
- Office of Defense Nuclear Security. The position of Chief of Defense Nuclear Security will be established in the NNSA. The Director of SO will serve concurrently in both positions
- Personnel and Administrative Services. Support will be provided by the administrative staff of the Offices of the Deputy Administrator for DP, NN and NR as well as the AL and NV operations offices. In addition, MA will provide, pursuant to a service agreement, admin and personnel services at HQ facilities. The Plan provides that corporate systems will be available to the NNSA, such as

personnel, procurement, financial and accounting, etc. Other service agreements may be necessary - this is now being discussed.

- In instances where research and other non-NNSA work is being performed at an NNSA site, non-NNSA officers and employees of the Department retain the authority to direct NNSA employees and NNSA contractor employees with regard to accomplishment of the work. This clarification is required as the limitations on the authority of non-NNSA officers and employees to direct and control the actions of NNSA employees and contractors do not apply with regard to non-NNSA functions. The policy also applies to environmental management activities.

- Next Steps (Prior to March 1)

- Establish organization structure for NNSA including a staffing plan for the Office of the Administrator

- Identify and designate Federal employees to the NNSA. Some relatively clear, but field and various support offices will require a more detailed analysis. Pending such analysis, the designation of employees to the NNSA as of March 1 will be determined on the basis of the program account that is responsible for them.

- Establish new positions and recruit individuals for positions or designate officials to serve pending permanent designation.

- Incorporate MD into Office of NN to create the Office of Deputy Administrator for Defense Nuclear Proliferation.

- Prepare offices for the Administrator,

- Submit FY 2001 budget, which will include only the major programmatic. Develop budget codes for use in preparing the FY 2002 budget for the Administration

- The Department will attempt to implement NNSA in a way that will allow the NNSA laboratories and facilities to continue to conduct research for non-NNSA programs of DOE and for others.

- Many other Issues

- Potential for time limited appropriations as the authorizers use DOD as a model.

- Salary dollars to fund new NNSA employees not transferred from existing organizations

- FY 2001 budget does not include the office of the Administrator

- FY 2001 Budget has two appropriations for the NNSA Account

- Weapons Activities

- Other Nuclear Security Activities (NN, MD, NR)
- Authorization for NNSA calls for a five-year plan (and for that matter a number of reports) it implies limited duration funds.
- Policy is the FY 2001 budget is no-year funding.
- One of the required reports that accompanied the Implementation Plan to Congress was entitled, "Planning, Programming and Budgeting Processes for the NNSA. The CFO had responsibility for this report. The gist of the report is that the NNSA will employ the financial and fiscal management principles of the DOE, including DOE's planning, programming, and budgeting processes. It goes on to state that DOE has built a fine record of performance in financial management by adopting and implementing sound financial management principles.. Thus, by employing the financial and fiscal management principles of the DOE, NNSA compliance with sound financial and fiscal management principles specified in sections of the Act, given DOE's past record of performance in financial management and the commitment of the Department to improve financial management.
- The implementation plan is available at <http://www.doe.gov/news/nnsa.pdf>

Travel Update

- The General Accounting Office's report on DOE travel published in the Spring of 1999 noted overall Departmental success in meeting travel reduction goals, but focused criticisms of contractor travel practices. As a result (like the IPP) Congress imposed legal restrictions on our contractor travel.
- Specifically, Section 309 of the FY 2000 Energy and Water Development Appropriations Act limits reimbursement of major DOE site and facility contractor travel expenses to not more than \$150 million of funds appropriated in the Act. The provision also permits the use of funds appropriated in the Act for the reimbursement of contractor employee travel expenses only to the extent the contractor applies to its employees the same rates and amounts as those that apply to federal employees under subchapter I of chapter 57 of title 5, United States Code, or rates and amounts established by the Secretary of Energy. The Secretary may provide exceptions to the reimbursement requirements of this section as the Secretary considers appropriate.
- DOE Travel - Our Future goal
 - To be able to demonstrate to Congress that:
 - DOE travel costs are reasonable and under control
 - That Congressional limitations, either legislative or in report language, are not required in FY 2001 or beyond
- Apportionment of the \$150 million ceiling

-The CFO, working with the Under, Deputy, and Secretary apportioned the \$150 million ceiling among each major facility contractor based on the following:

- Criticisms in the GAO Report
- Past Performance in Controlling Costs
- Availability of Interior or WFO Funding
- Programmatic Requirements

- Implementation of the Limitations

-The Procurement Executive issued an Acquisition Letter (AL) on November 30, 1999 to implement Section 309 of the FY 2000 EWD Act.

-The AL indicates the Secretary has decided to provide an exception for certain contracts to the implementation date of October 1, 1999 by extending it to December 1, 1999. The exception only provides to those contractors whose contracts currently provide for reimbursement of employee travel costs that exceed the rates and amounts that apply to Federal employees

-Certain travel costs are excluded from the \$150 million cap.

- Travel performed under WFO agreements
- Travel of subcontractors
- Travel of non-DOE users to participate in experiments at DOE user facilities
- Travel costs of travel management centers
- Travel costs funded by other appropriations
- Relocation costs
- Costs of workshops/seminars (other than travel costs)
- Registration costs of training classes.

-Subchapter I of chapter 57 of Title 5, United States Code directs the establishment of mileage and per diem allowances for travel on official business.

-The AL indicates it is the intent of the Department to incorporate only those aspects of the Federal Travel Regulations that addresses maximum per diem rates, the definitions of lodging, meals, and incidental expenses, and regulatory coverage addressing special or unusual situations. In addition, the AL states that contractor airfare costs should not exceed coach class or equivalent airfare except when accommodations require circuitous routing, require travel during unreasonable hours, excessively prolong travel, result in increased cost that would offset transportation savings, are not reasonably adequate for the physical or medical needs of the traveler, or are not reasonably available to meet mission requirements.

-The AL requires contracting officers to incorporate a clause into existing contracts, applicable solicitations, and new awards of major DOE facility and site management contracts where the expenditure is made under the FY 2000 Energy and Water Act. The AL also directs the contracting officer to insert the ceiling

limitation amount as specified by the CFO prior to including the clause in major DOE facility and site management contracts.

- On January 7, 2000 the CFO issued travel targets to the cognizant lead PSOs with the instruction to provide the targets to the appropriate Federal field organizations for inclusion in major facility contracts. The guidance indicates the Secretary reviewed requests for changes in these targets (based on a previous transmittal to the LPSO's) and has granted some relief. The Secretary expects the contractors to manage within these targets.
- There is a statutory ceiling on travel. Thus although significant further relief will not be possible, provision of any further relief will be based on your ability to demonstrate that your contractors have used their travel allowances wisely.
- On January 27, 2000, the CFO requested for each major facility contractor additional travel information by February 18, 2000. Specifically FY 1999 actual, FY 2000 1st quarter actuals, FY 2000 estimates for the last 3 quarters, and FY 2001 travel estimates that are part of the FY 2001 Congressional Budget. The request also included Federal FY 1999 actual, requested FY 2000 travel targets, and FY 2001 travel amounts that are part of the FY 2001 Congressional Budget for each Headquarters organization and those Federal field organizations for which they are responsible. The request was issued through the LPSOs.
- The memorandum also requested a brief report on recent efforts, and the effects of the organizations for which you are responsible, to reduce travel costs while still accomplishing DOE missions and any additional plans to control travel costs in FY 2001. The CFO plans to use this information to demonstrate that DOE travel costs in the FY 2001 budget are controlled and reasonable.

DP WBS Proposal and Treatment of Indirect Costs

- As the DP Federal and contractor sites are aware, DP proposed a new budget structure for FY 2001, submitted it to OMB, and will submit it on February 7, 2000 to the Congress.
- The major change is to replace the Stockpile Stewardship and Stockpile Management Programs with Campaigns, Directed Stockpile Work and Readiness in Technical Base and Facilities. Other activities, namely Transportation Safeguards, Construction and Program Direction remain essentially unchanged
- The Headquarters and field CFO community had concerns with a portion of the new structure, specifically the operations of facilities component of RTBF, because of differences in approach within DP-10 and DP-20, as well as consistency, CAS, quality of accounting information, and impact on contractor accounting systems.
- Several conference calls were held on the Federal side with DP, but the CFO

concerns were not accepted by DP line management. Consequently, it was decided to host a joint DP (including representation from DP-10, 20, and 40), field CFO, contractor budget/financial staff and CFO Headquarters to address the proposal differences, CFO concerns, and cooperatively develop a solution that provided DP management the financial information they need, but did not cause adverse impacts on contractor accounting systems.

- Our largest issue was the inconsistent treatment of indirect costs in the DP-10 and 20 organizations. DP-20's approach stripped indirect costs from final cost objectives (DSW, Campaigns and RTBF) and funded and/or accounted for them using standalone DP B&Rs within the RTBF line. Whereas, the DP-10 approach was consistent with traditional allocation of indirect costs. Other concerns involved an understanding that DP-20 wanted to see a functional cost breakout of facility operations costs by each major facility and similar information for the balance of facilities at their sites. This was part of a proposed WBS for FY 2002. We were assured not to worry about this for now.
- The definition of facilities operations (“includes DP’s share of the cost to operate and maintain DP-owned programmatic facilities in “warm standby” mode, a state of readiness at which each facility is prepared to execute programmatic tasks identified in the campaigns and directed stockpile work. The category includes DP’s share of all structures, equipment, systems, materials, procedures, and personnel necessary to provide program sponsors with a facility that is safe, secure, reliable, and ready for operations”) was also concerning. DP wants greater visibility of their facilities costs as not enough attention has been paid to the infrastructure in recent years.
- Meeting was successful. The group agreed that:
 - Indirect costs will be allocated to campaigns, directed stockpile work, and RTBF by all DP-10 and DP-20 facilities. Costs of operating and maintaining specifically identified facilities that are critical to the DP mission will be accounted for as part of the facilities operations line under RTBF. All other facilities operating costs will be allocated (as has been done traditionally) to final cost objectives.
 - All participants (not everyone was represented) were comfortable with this agreement and that implementation would not result in CAS problems.
 - The criticality is reaching closure quickly. The Department will be sending a budget amendment to the Hill on safeguards and security (the February 7 budget reflects S&S as has been done historically) in late February. It would be nice if revisions to the DP budget would go at the same time.
- Next Steps

-DOE Headquarters would develop a definition of operation of facilities that was understandable to both the budget and finance community and was sufficiently defined to ensure consistency in approach across the complex.

-DP would provide a list of facilities to the group after consulting with DP-10 and 20.

-DP will determine if they want unique B&Rs in the DOE accounting system for each facility or will obtain the relevant information on a quarterly basis from each field office/contractor.

-AL will talk to Kansas City and Pantex and HQ CFO will talk to SR to ensure they are on board and are agreeable to the proposed solution.

-Balance of plant will not be required in the breakout of facility operations costs.

-Sites will recast their FY 2001 budget in light of this guidance and DP-40 will take the structure and revised budget information to his management for approval.

Bonner:

FMSIC Appreciation to Betty Smedley.

Action: A plaque signifying FMSIC's appreciation to Betty Smedley will be sent to her.

Action: Ralph Bonner and Brian Morishita. Jim Campbell will obtain Betty's home address so that the plaque can be sent to her residence.

Marty Conger:

BMIS Update

See presentation slides.

Action: FMSIC Members are requested to send comments to Brian who will collect them and forward them to Ralph.

Gary Concannon:

BMIS Update

See presentation slides.

Grefenstette:

Review of Reasonableness of Indirect Costs.

An initial recommendation was made to use the functional support cost paradigm definitions as the model for the review. The review was conducted by the Logistics Management Institute who visited the Westinghouse Savannah River Company. The functional cost model was broken into smaller pieces and benchmarked wherever possible. Although there is still a need to validate the reasonableness of indirect costs, further action by FMSIC is not required at this time.

Action: Jim Campbell will get further clarification and guidance as to subsequent actions that are required to conduct this review.

Lopez/Morishita

FMSIC/BRC All-Contractors Meeting

This meeting is scheduled for April 26 & 27, 2000 Denver. It will be comprised of two ½ day plenary sessions and two ½ days of break out sessions focusing on separate FMSIC and BRC topics. Suggested plenary topics are:

- DOE CFO/Deputy CFO – HQ update presentation.
- OMB or Congressional presentation
- Hacket Group, Meta Group or Gartner Group presentation
- BMIS Update

FMSIC Only Topics

- NACHA
- Treasury
- IWO
- FASAB – Capitalization of internal use software
- Travel management
- Unfunded mandates from DOE orders
- Other party identifiers

Action: Jim Campbell will request a presenter from the DOE CFO office and OMB/Congress. Jim Lopez will check with the Meta Group and Brian Morishita will check with the Gartner Group and The Hackett Group. Brian will also issue a call to the FMSIC community for presenters.

Bonner:

Future FMSIC Initiatives

Consider electronic funds transfer as a FMSIC initiative. Ascertain how many contractors are using EFT and how many manual checks were issued last fiscal year.

Action: Brian

Asset disposition – Can FMSIC be of assistance?

Bonner:

FMSIC Membership

Brookhaven National Lab was voted in by the Council as a member of FMSIC.

Action: Ralph will notify BNL of the membership status.

The FMSIC Charter was discussed relative to its membership section.

Action: Brian will distribute the FMSIC Charter to all FMSIC members for their review and comments.

Action: All FMSIC members will review and comment. Send comments to Brian who will forward them to Ralph and Jim Lopez.

Lopez:

Not For Profit

A discussion focusing on whether a lab can exempt work from G&A and royalties was tabled.

Bonner:

Next FMSIC Meeting

- Denver, April 25, 2000